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71. Stakeholder engagement

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Outline of the topic

Stakeholder engagement is a relevant topic for innovation management as innovations are no longer seen to take place in formal innovation processes inside a single organization, but rather in interaction with various stakeholders. Within innovation literature, the so-called open innovation paradigm is most clearly connected to stakeholder engagement. This paradigm emphasizes the permeability of organizations' boundaries and the transfer of innovation from the organization (e.g., spin-offs) and to the organization (e.g., licensing), as well as the co-development of innovations with the organization's stakeholders.

The concept of stakeholder engagement refers to the various processes and strategies that organizations undertake in their stakeholder relations and activities through which an organization engages stakeholders in its operations. In recent literature, researchers have dedicated increasing attention to studies on stakeholder engagement in the context of innovation. Stakeholder engagement can create multiple benefits for the focal organization, for the stakeholders involved in the innovation process, and for society at large. Through engaging its stakeholders – for instance, customers, communities, collaborators, and even competitors – organizations access complementary or new, relevant knowledge, become more aware of their environment, and can combine resources and gain synergies.

This entry is based on Kujala and colleagues' literature review targeting leading academic journals in the business and society, management and strategy, and environmental management and environmental policy fields. From a sample of 90 scholarly articles on stakeholder engagement, 16 articles include an innovation-related approach and thus serve as the basis for the discussion in this entry.

This entry offers a conceptual overview of stakeholder engagement and its relevance for innovation management, particularly from the perspective of sustainable innovations. Furthermore, it provides an analytical framework for engaging stakeholders in the innovation process, together with

practical applications. It concludes with a critical summary.

Conceptual overview and discussion

According to a common understanding in the recent literature, stakeholder engagement is important for innovation management. Stakeholder engagement has been found to generate additional knowledge for innovation activities, facilitate the recognition and exploitation of new opportunities, and provide directions for future development. Pantano and colleagues have argued that stakeholder engagement is a significant factor in connecting the organization's innovativeness and the actual strategic innovation outcome. Engaging stakeholders beyond the focal organization's immediate boundaries is necessary to capture information, create knowledge, learn, and finally, take ideation to new dimensions.

Innovation is facilitated by relationships with various stakeholders, such as customers, suppliers, competitors, universities, government regulators, and local communities. Employees in particular have gained special attention in the literature on stakeholder engagement and innovation management. For instance, Pantano and colleagues have examined how employees need information on innovation projects and support from an innovative, motivating, and enabling organizational culture representing the shared assumptions and guiding principles of the members of the organization. By boosting the innovativeness and performance of the employees, the organization can make use of employees' previous knowledge and experience in the innovation process. Engaging stakeholders beyond the immediate ones can also provide opportunities for innovation.

Stakeholder engagement has been found to be particularly important for the promotion of environmental responsibility and sustainable innovations, which are considered both necessary and urgent in relation to the worrying state of the planet. Scuotto and colleagues have argued that, when stakeholders engender a sense of environmental responsibility, the stakeholder engagement capacity of an organization correlates positively with sustainable innovations. Stakeholder engagement can provide environmental knowledge and capabilities that are a prerequisite for organizations to produce sustainable innovations. In addition to engendering a sense of responsibility

and providing knowledge and capabilities, stakeholders can have a variety of roles in sustainable innovation processes, as posited by Goodman and colleagues. These roles are often collaborative and proactive, meaning that they include joint decision-making and dialogue between the organization and its stakeholders.

Pucci and colleagues have argued that organizations with proactive sustainable behaviour engage different stakeholders at different points in time to develop innovation. Further, the most important innovation is not the actual innovation outcome, but the sustainability culture, which can be defined as a culture that values and considers sustainability in its actions. A sustainability culture is the result of a process consisting of challenges related to identity creation, legitimization (i.e., creating a shared understanding of sustainability and identifying the boundaries of sustainability), and enhancement (i.e., promoting the sustainability culture and developing standards). To answer the challenges, different stakeholders are engaged, and different engagement mechanisms are used in different phases of the process. While sustainability culture requires the engagement of various stakeholders, it can also be spread to wider constituencies, and, through this spreading, steps towards more sustainable societies are taken.

The drivers of stakeholder engagement are manifold and can relate to the co-development of resources and capabilities (e.g., knowledge and process management practices), pressures from the external environment (e.g., legislation), and the search for competitive advantage (e.g., cost reduction and differentiation), as suggested by Todeschini and colleagues. The aim of getting to know stakeholders' sustainability interests and expectations and receiving information about the environment are also regular motives for stakeholder engagement. The lack of a clear and common understanding of sustainability issues in a specific context is also an important driver to engage with stakeholders when developing sustainable innovations. Local stakeholders can offer knowledge and understanding of local sustainability issues, and engaging with multiple stakeholders can be a means of formulating a shared understanding of sustainability. Finally, stakeholders' shared values and capabilities support stakeholder engagement in the context of innovation.

To sum up, stakeholder engagement is crucial to innovation, particularly sustainable innovation. Collaborative and proactive stakeholder relationships facilitate the development of innovation, and stakeholder engagement can also encourage stakeholders towards innovativeness and sustainability.

Application

As stakeholder engagement is crucial for a successful innovation process, Grama-Vigouroux and colleagues have proposed a framework for developing and implementing a sustainable innovation process with a stakeholder engagement approach. The framework reflects the view that sustainable innovation is a context-dependent, dynamic, and non-linear process with many insecurities. The framework consists of five elements that can have either a positive or negative effect on the development of stakeholder engagement and the innovation process: (1) the knowledge element, (2) the collaboration element, (3) the organizational element, (4) the strategic element, and (5) the financial element. The combination of the five elements both enables a comprehensive and coherent approach to the innovation process and serves as a consulting tool for practitioners.

The knowledge element relates to internal and external knowledge management activities, such as the identification of stakeholders and knowledge sharing that promote stakeholder engagement. For the organization to become more innovative, it is crucial to have access to the knowledge of its stakeholders, implement a knowledge infrastructure, and have high absorptency. While the identification of stakeholders is a key success factor for sustainable innovation, innovation management also depends on the types of stakeholders involved in the innovation process and also on their benefits and usefulness to the innovation project.

The collaboration element includes the organization's ability to strengthen shared meanings and values, stimulate mutual understanding, and identify opportunities for working together. Collaboration encapsulates choosing the right stakeholders in terms of, for instance, trust, capabilities, and investment capacity. Different procedures can be used in the selection of stakeholders. For example, a crowdsourcing platform is one way to seek and find a well-cooperating set of

stakeholders for innovation projects. In addition to choosing the stakeholders, Goodman and colleagues add that broadening stakeholder engagement as well as understanding the various roles of stakeholders (e.g., initiator and educator) in the innovation process can provide new opportunities for innovation.

The organizational element relates to the necessary skills to lead innovation projects and implement stakeholder engagement. In particular, the way employees are engaged has an impact on the cooperation, motivation, and commitment of the stakeholders on a large scale. In addition, especially when working with a wide range of stakeholders in complex networks, stakeholder engagement may face challenges, for instance due to differences in innovation management practices or organizational structures. For example, rigid organizational structures can stifle the creation of sustainable innovations and limit employees' personal sustainability goals.

The strategic element represents the innovation strategy of an organization and the motivation of the management to become involved in innovation projects. A clearly articulated and communicated innovation strategy combats fear, increases openness, and triggers innovation. The existence and recognition of the innovation strategy are important success factors in engaging stakeholders. Conversely, through stakeholder engagement, organizations can build effective innovation strategies.

The financial element draws attention to financial resources and funding, as they also have an impact on innovation projects. For example, inconsistent and inadequate financial resources can complicate access to knowledge and thus hinder stakeholder engagement and innovation, while the stakeholders' investment capacity supports stakeholder engagement in the context of innovation.

In addition to presenting the aforementioned elements, in their study, Grama-Vigouroux and colleagues compared two small European industrial firms: Curana, a Belgian manufacturer of bike equipment and bike accessories, which, thanks to stakeholder engagement, has had successful innovation practices since the early 2000s, and Norelem France, a manufacturer of machinery parts struggling to increase the level of openness in its innovation process. In all, the findings of the study showed that the companies used the five elements in different ways,

even though the main goal of both was the same: to innovate quickly to stay ahead of the competition. The key differences between the companies related to the innovation strategy and the depth of stakeholder engagement in it. Curana was exercising a strategic approach that enabled it to use and combine the five elements in a consistent way, maintain an extensive stakeholder network with a wide variety of skills and technologies, and avoid the negative effect of, for instance, exploitative behaviour and misalignments through analysing the behaviour of stakeholders, open communication, transparency, and the equal distribution of advantages. As a result, Curana was recognized as the innovation leader in its industry. On the other hand, Norelem had difficulties in formulating its innovation strategy, which also influenced its stakeholder engagement: instead of choosing the stakeholders based on their importance for the innovation process and alignment with the innovation strategy, Norelem ran temporary ad hoc projects with its stakeholders and consequently failed to develop strong stakeholder relationships of strategic importance.

From the perspective of sustainable innovation, the company's sustainability culture and the CEO's vision seem to play a significant role: if they promote sustainability, it is likely that the employees understand and value sustainability innovations and are able to engage with stakeholders to absorb the necessary knowledge and ideas from them. To enable the knowledge acquisition, Curana organized collegial meetings across organizational boundaries and between different organizations. Through the meetings, the CEO had a great opportunity to introduce his personal values to other members of the company and throughout the stakeholder network. Curana's CEO was personally involved in the development of the innovation strategy and led the stakeholder network that was of strategic relevance for innovation. In essence, having a well-formulated innovation strategy and engaging those stakeholders capable of supporting the strategy are of the utmost importance for successful innovation management. When the innovation strategy and company culture favour sustainability, the organization is well-equipped to create innovations that promote social and environmental sustainability.

Critical summary

Stakeholder engagement facilitates innovation processes and is a necessity for the transformation of organizations and societies towards sustainability. Engaging stakeholders in a collaborative manner and building long-term, trustful relationships with them has been found to be conducive to innovation, as they enable the development of complementary capacities and new combinations of resources.

Stakeholder engagement is especially crucial for sustainable innovations, as it can increase the motivation and inspiration to innovate in a wide variety of organizations as they face increasing societal and legislative pressures. Opportunities for sustainable innovation can be developed through holistic and critical considerations of the organization's production and value chains as well as through engaging a variety of stakeholders. Stakeholder engagement is a means of getting information concerning stakeholders' sustainability interests or expectations and remaining sensitive towards the environment in which the organization operates. In particular, engaging marginal, secondary, or disparate stakeholders, or those stakeholders who have a concern for social or environmental sustainability, can provide opportunities for sustainable innovation.

The innovation management literature highlights that the innovation process is uncertain and may lead to success or failure. This is especially the case as innovations emerge from the interaction between the organization and its stakeholders, and such processes are inherently non-linear and often unpredictable. Attention should be paid to examining how stakeholder engagement enables both radical and incremental sustainable innovations to solve or mitigate problems related to environmental or social sustainability, as argued by Goodman and colleagues. Due to unpredictability, incremental innovation can generate a radical impact, while radical innovation efforts may fail to generate any longstanding impact.

Consequently, although the topic is currently receiving increasing interest, more research is needed on stakeholder engagement in the innovation context, particularly in the sustainable innovation context. Future research could take a broad but context-specific scope on how stakeholder engagement

enables and supports sustainable innovation. Similarly, future research could explore the role of stakeholder engagement in envisioning and working towards a sustainable future. Further, research might explore how sustainability cultures or new, revolutionary business models successfully transform, for instance, entire economic, social, and political systems. What could the aims, practices, and fundamental ideas of innovation management in such a revolutionary future be like, and what is the role of stakeholder engagement in it?

To conclude, although engaging various stakeholders may increase the unpredictability of innovation processes, it also provides new opportunities and incontestable benefits for the focal organization and its stakeholders, as well as for society at large. However, as the current state of our planet is worrying, it may be that even radical innovations, let alone incremental ones, are not enough to correct the path. Therefore, future research could and should reconsider many concepts that are taken for granted in both the innovation management and the stakeholder engagement literatures, such as the idea of measuring value mostly in financial terms or the idea of continuous economic growth. More attention should also be directed at how organizations can create sustainable innovations that increase the overall wellbeing of societies through engaging a variety of stakeholders, including those with a marginal voice.

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